

California Assessors' Association
LEGISLATIVE COMMITTEE

May 6, 2010

Honorable Senator Mimi Walters
California State Capitol, Room 3082
Sacramento, CA 95814

**RE: SB 1430: Homeowners' Property Tax Exemption: Senior Citizens 62 Years or Older
Watch – Point Out Problems**

Dear Senator,

On behalf of the California Assessors' Association (CAA) Legislative Committee, I must respectfully inform you that the CAA has taken a watch position on SB 1430 (Walters), and would like to point out our concerns.

As explained below, SB 1430 creates significant inequities between homeownership taxpayers, negatively impacts counties through increased administrative costs, and increases the cost of state subvention to counties, or worse, threatens local property tax revenues if the higher exemption amount is not subvented by the state.

Currently, there is a \$7,000 homeowner's exemption applied to all owner-occupied property. SB 1430, rather than providing each qualified owner/occupant with the same \$7000 exemption, increases the amount of this property tax exemption to \$27,000 for only those assesseees that are age 62 years or older. In this aspect, SB 1430 creates significant inequity between taxpayers, which would only be magnified by the annual housing price index increase provisions currently contained in SB 1430.

Complying with the provisions of proposed SB 1430 would be very difficult, if not impossible, for assessors to administer due to the age requirement. SB 1430 would force the county assessors to collect, verify, retain, and update the age of all existing and future homeowners exemption applicants in order to determine who is eligible for the increased exemption based on age. Age is currently not a criteria and no such information is currently collected.

In Sacramento County alone, we have approximately 250,000 existing homeowners' exemption claims; statewide, there are over 5.5 million existing claims. All 58 California counties would be required to reprocess and verify every one of these in order to determine the SB 1430 age requirement. Mailing costs alone for Sacramento County to send out verification forms would exceed \$100,000. Staff time and printing costs could be twice that amount or more. Additionally, it would be difficult and costly to continually track and identify any homeowner that turned 62 during their period of ownership.

Besides being objectionable to many due to the collection of extra personal data from taxpayers, administration of the SB 1430 age verification requirement would negatively impact the staffing, processes, workload and budgets of all 58 California county assessors' offices.

On top of the age requirement, SB 1430, in calling for an annual increase by the percentage of change for the first 3 quarters of the prior calendar year in the Housing Price Index for California would seriously and negatively impact how the homeowners' exemption is administered by assessors. It would require an annual index adjustment of the over-62 years segment of homeowners exemptions each year. This indexing would not only be costly to program and maintain, it also creates further disparity between taxpayers over time.

Costs for program and form modifications for the Sacramento County Assessor's Office alone would be more than \$100,000. As mentioned above, costs associated with a mass verification mail out in the first year could exceed \$200,000. This kind of expenditure is unfeasible when our budget stands to be cut by \$4 million for the current fiscal year, forcing the necessity of layoffs and drastically reduced system resource expenditures. Most if not all county assessors' offices face similar financial difficulties, which would make complying with SB 1430 an unsupportable administrative and financial burden, even if the state continues to subvent the loss in assessed valuation due to the increased exemption amount.

Under current law, the state provides a subvention to the counties for the amount of property tax revenue lost due to the homeowners' exemption. It is unclear from the current text of SB 1430 whether the proposed increased exemption amount would also be subject to subvention. County assessors are very sensitive to this issue, as the last state budget completely eliminated the state subvention to counties for the Williamson Act Land Conservation program. With other types of state funding held back as well, counties can ill-afford any loss of property tax revenue nor decreased state subventions in the homeowners exemption program.

If the state fails to subvent the increased homeowners exemption amount, there could over \$7 million revenue lost to Sacramento County alone; statewide, county revenue losses likely in the billions.

Finally, assessors' offices already depend upon counties funding a disproportionate share of their budgets due to the fact that schools do not pay their fair share of the SB 2557 property tax administrative costs. This would further exacerbate that problem.

To reiterate, SB 1430 creates numerous inequities in how the homeowners' exemption is applied in relation to all owner/occupants, it increases the administrative burden and cost to already overstretched county assessors offices' staff, and it also endangers every county's already precarious fiscal health if the state fails to subvent the increased homeowners exemption amount.

I trust you can see that due to the inequities and administrative problems it creates, as well as the potential for huge property tax revenue losses statewide, the County Assessors Association cannot support SB 1430.

As assessors, our priority is the fair and equitable assessment of taxable property. We believe this bill results in just the opposite. As a legislator, this should be of concern as well as the financial impact of reduced property taxes.

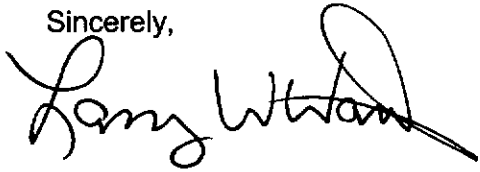
Please contact Gregg Cook or Rob Grossglauser at 916-552-6789 (email consult700@aol.com) if either I or my staff can be of assistance.

May 6, 2010

SB 1430

Page 3 of 3

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Ward", with a stylized flourish at the end.

Larry Ward

Riverside County Assessor

Chair, Legislative Committee, California Assessors' Association

cc: Ron Thomsen, President, California Assessors' Association
Greg Cook, Government Affairs Consultant
Lois Wolk, Chair, and Members of the Senate Revenue and Tax Committee